

**The International Waldenstrom's
Macroglobulinemia Foundation, Inc.**

Consolidated Financial Statements

December 31, 2013

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Certified Public Accountant

Member: Florida Institute of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The International Waldenstrom's Macroglobulinemia Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The International Waldenstrom's Macroglobulinemia Foundation, Inc. (Foundation) (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2013, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The International Waldenstrom's Macroglobulinemia Foundation, Inc. as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2012 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated September 6, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Tyack CPA, LLC". The signature is written in a cursive, flowing style.

Sarasota, Florida
July 22, 2014

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The International Waldenstrom's Macroglobulinemia Foundation, Inc.
Sarasota, Florida

Consolidated Statement of Financial Position
December 31, 2013

ASSETS

	<u>2013</u>	<u>2012</u> Total (For Comparative Purposes Only)
Assets		
Cash and cash equivalents	\$ 1,038,156	\$ 886,972
Prepaid expenses and other	10,212	5,053
Legacies and contributions receivable, net	629,511	362,007
Assets held for sale	40,000	-
Property and Equipment, net	9,319	23,093
Deposits	<u>1,146</u>	<u>1,084</u>
Total Assets	<u>\$ 1,728,344</u>	<u>\$ 1,278,209</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 14,402	\$ 19,950
Payroll liabilities	11,960	6,807
Deferred revenue	<u>11,393</u>	<u>3,582</u>
Total Liabilities	<u>37,755</u>	<u>30,339</u>

Net Assets

Unrestricted	351,313	249,945
Temporarily restricted	1,317,332	976,631
Permanently restricted	<u>21,944</u>	<u>21,294</u>
Total Net Assets	<u>1,690,589</u>	<u>1,247,870</u>
Total Liabilities and Net Assets	<u>\$ 1,728,344</u>	<u>\$ 1,278,209</u>

The accompanying notes are an integral part of these consolidated financial statements.

The International Waldenstrom's Macroglobulinemia Foundation, Inc.
Sarasota, Florida

Consolidated Statement of Activities and Changes in Net Assets
Year Ended December 31, 2013

	2013			2012 Total (For Comparative Purposes Only)	
	Unrestricted	Temporarily Restricted	Permanently Restricted		Total
Revenues and Support					
Contributions	\$ 614,138	\$ 838,755	\$ 650	\$ 1,453,543	\$ 1,175,347
Grants	-	11,000	-	11,000	10,000
Legacies	36,471	78,022	-	114,493	58,900
Educational forum	38,962	-	-	38,962	34,812
Interest and dividend income	14	1,773	-	1,787	2,864
Other	689	-	-	689	10,287
Net assets released from restrictions:					
Satisfaction of donor restrictions	588,849	(588,849)	-	-	-
Total revenues and support	<u>1,279,123</u>	<u>340,701</u>	<u>650</u>	<u>1,620,474</u>	<u>1,292,210</u>
Expenses:					
Program services	818,246	-	-	818,246	944,706
General and administration	192,897	-	-	192,897	213,020
Fund raising	166,612	-	-	166,612	116,266
Total expenses	<u>1,177,755</u>	<u>-</u>	<u>-</u>	<u>1,177,755</u>	<u>1,273,992</u>
Change in net assets	101,368	340,701	650	442,719	18,218
Net assets - beginning of year	<u>249,945</u>	<u>976,631</u>	<u>21,294</u>	<u>1,247,870</u>	<u>1,229,652</u>
Net assets - end of year	<u>\$ 351,313</u>	<u>\$ 1,317,332</u>	<u>\$ 21,944</u>	<u>\$ 1,690,589</u>	<u>\$ 1,247,870</u>

The accompanying notes are an integral part of these consolidated financial statements.

The International Waldenstrom's Macroglobulinemia Foundation, Inc.

Sarasota, Florida

Consolidated Statement of Functional Expenses

Year Ended December 31, 2013

	2013				2012
	Program	General and	Fund		Total (For
	Services	Administration	Raising	Total	Comparative
					Purposes Only)
Accounting	\$ -	\$ 8,065	\$ -	\$ 8,065	\$ 7,660
Bad debt provision	-	13,266	-	13,266	13,660
Bank charges	-	18,657	-	18,657	12,825
Board meetings and travel	-	42,616	12,298	54,914	62,139
Conferences	13,059	-	-	13,059	18,231
Contract labor	48,108	31,034	1,589	80,731	79,103
Payroll and related costs	44,493	35,991	116,893	197,377	149,674
Depreciation and amortization	5,374	2,479	-	7,853	6,312
Ed Forum	112,474	-	-	112,474	95,502
Research grants	536,249	-	-	536,249	712,894
Insurance	-	4,377	-	4,377	2,907
International outreach	9,530	-	-	9,530	5,373
Internet	-	636	-	636	501
Legal	-	-	-	-	160
Occupancy	-	12,300	-	12,300	14,393
Office	-	14,109	473	14,582	14,188
Other	433	560	5,861	6,854	6,461
Registration fees	-	-	10,553	10,553	12,600
Postage	11,462	6,596	7,115	25,173	26,775
Printing	36,211	2,211	11,830	50,252	30,989
Support group	853	-	-	853	1,645
Total	\$ 818,246	\$ 192,897	\$ 166,612	\$ 1,177,755	\$ 1,273,992

The accompanying notes are an integral part of these consolidated financial statements.

The International Waldenstrom's Macroglobulinemia Foundation, Inc.
Sarasota, Florida

Consolidated Statement of Cash Flows
Year Ended December 31, 2013

	<u>2013</u>	<u>2012 Total (For Comparative Purposes Only)</u>
Cash flows from operating activities:		
Change in net assets	\$ 442,719	\$ 18,218
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Contributed land	(40,000)	-
Depreciation and amortization	7,853	6,312
Permanently restricted contributions collected	(650)	(310)
Provision for doubtful accounts	13,266	10,660
(Increase) decrease in operating assets:		
Prepaid expenses and other	2,086	4,467
Legacies and contributions receivable	(280,770)	(236,597)
Deposits	(62)	(1,084)
Increase (decrease) in operating liabilities:		
Accounts payable	(5,548)	(10,053)
Payroll liabilities	5,153	(1)
Grant payable	-	(6,520)
Deferred revenue	7,811	3,582
Total adjustments	<u>(290,861)</u>	<u>(229,544)</u>
Net cash provided (used) by operating activities	<u>151,858</u>	<u>(211,326)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	-	228,461
Purchase of property and equipment	<u>(1,324)</u>	<u>(3,665)</u>
Net cash provided (used) by investing activities	<u>(1,324)</u>	<u>224,796</u>
Cash flows from financing activities:		
Permanently restricted contributions collected	<u>650</u>	<u>310</u>
Net cash provided by financing activities	<u>650</u>	<u>310</u>
Net increase in cash and cash equivalents	151,184	13,780
Cash and cash equivalents - beginning of year	<u>886,972</u>	<u>873,192</u>
Cash and cash equivalents - end of year	<u>\$ 1,038,156</u>	<u>\$ 886,972</u>
Non-cash investing activities:		
Contributed land	<u>\$ 40,000</u>	<u>\$ -</u>

The accompanying notes are an integral part of these consolidated financial statements.

The International Waldenstrom's Macroglobulinemia Foundation, Inc.
Sarasota, Florida

Notes to the Consolidated Financial Statements
December 31, 2013

Note 1 – Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization

The International Waldenstrom's Macroglobulinemia Foundation, Inc. ("the Foundation") was organized on July 21, 1998 to i) offer mutual support and encouragement to the Waldenstrom's macroglobulinemia community and others with an interest in the disease, ii) to provide information and educational programs that address patients' concerns, and iii) promote and support research leading to better treatments, and ultimately, a cure.

Placid Point Rd., LLC ("Placid Point") is a wholly-owned subsidiary of the Foundation and was formed to hold land donated to the Foundation.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Foundation and Placid Point. All significant intercompany accounts and transactions have been eliminated.

Net Asset Classifications

Net assets, support, revenues, expenses, gains, and losses are classified based on existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified as follows:

Unrestricted Net Assets – Consists of funds that are not subject to donor-imposed stipulations and are fully available to be utilized for the Foundations programs or supporting services.

Temporarily Restricted Net Assets – Consists of funds that are restricted by donors for a specific time period and/or purpose.

Permanently Restricted Net Assets – Consists of funds that contain donor imposed restrictions requiring that the principal be invested in perpetuity. Income earned from these funds may be used by the Foundation for initiatives of the research fund.

Cash and Cash Equivalents

Cash and cash equivalents consists of short-term investments with an initial maturity of three months or less from date of purchase.

Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Allocation of Expenses

The cost of providing various programs and other activities of the Foundation has been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly certain costs have been allocated among programs and support services benefited.

The International Waldenstrom's Macroglobulinemia Foundation, Inc.
Sarasota, Florida

Notes to the Consolidated Financial Statements
December 31, 2013

Note 1 – Nature of Organization and Summary of Significant Accounting Policies - continued

Property and Equipment

The Foundation capitalizes at cost, all property and equipment purchases greater than \$1,000. Expenditures that significantly add to the productivity, functionality or extend the useful lives of property and equipment are capitalized. Other expenditures for maintenance and repairs are charged to operations in the year the costs are incurred. Depreciation and amortization are provided using the straight line method over the estimated useful lives of three (3) to five (5) years.

Contributions

Contributions are recorded as revenue when received or promised unconditionally. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. Conditional contributions are recognized as revenue when the conditions have been substantially met.

Legacies and Contributions Receivable

The Foundation's legacies and contributions receivable at December 31, 2013 consist of unconditional promises to give and legacies which conditions have been substantially met. The Foundation uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. As of December 31, 2013, the Foundation has recorded an allowance for uncollectible unconditional promises to give of \$31,200.

The Foundation has received communications from various individuals that the Foundation has been included as a beneficiary in their wills, revocable trusts or other investments. Since these contributions can be rescinded during the donor's lifetime and are conditional, the Foundation has not recorded contribution revenue in the accompanying consolidated financial statements. The total estimated values of these intended gifts as of December 31, 2013 was approximately \$2.4 million.

Income Taxes

The Foundation is considered a not-for-profit corporation by the Internal Revenue Service and is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code. Therefore no provision for income tax has been recorded.

The Foundation has evaluated its tax positions and determined that the Foundation has no uncertain income tax positions that could have a material effect on the financial statements. As of the date of the financial statements, the Foundation's federal income tax returns for 2011, 2012 and 2013 are subject to examination by the Internal Revenue Service. These returns are open to examination generally for three years after they are filed.

Contributed Services

No amounts have been reflected in the financial statements for donated services. The Foundation generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Foundation, but these services do not meet the criteria for recognition as contributed services. Management has estimated that during 2013, the Foundation had approximately 169 volunteers who contributed approximately 21,763 hours.

The International Waldenstrom's Macroglobulinemia Foundation, Inc.
Sarasota, Florida

Notes to the Consolidated Financial Statements
December 31, 2013

Note 1 – Nature of Organization and Summary of Significant Accounting Policies - continued

Compensated Absences

Compensated absences for vacation, sick pay and personal time have not been accrued since they cannot be reasonably estimated. The Foundation's policy is to recognize these costs in the period that they are paid. Management believes that this policy does not materially affect the accompanying financial statements.

Reclassifications

Certain reclassifications of 2012 amounts have been made to conform to the 2013 presentation.

During 2013, the Foundation adopted the amendment to FASB ASC 230-10 *Statement of Cash Flows* and changed the presentation of donated financial assets that are converted nearly immediately into cash from an investing to an operating activity.

Summarized Financial Information

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2012, from which the summarized information was derived.

Note 2 – Legacies and Contributions Receivable

Contributions receivable include unconditional promises to give and are recorded net of allowance for uncollectible promises and are discounted to present value at rates ranging from 2.86% to 3.91%. Legacies receivable consist of contributions which conditions have been substantially met. Legacies and contributions receivable as of December 31 are due as follows:

	<u>2013</u>
2014	\$262,159
2015	178,239
2016	157,646
2017	85,260
2018	<u>17,709</u>
Gross	701,013
Less: discount	(40,302)
Less: allowance	<u>(31,200)</u>
Total	<u>\$629,511</u>

Note 3 – Assets Held for Sale

Assets held for sale of \$40,000 consist of two parcels of land donated to the Foundation in 2013. These assets have been recorded at fair value based on an independent appraisal. The Foundation's Board of Directors have approved the sale of the land.

The International Waldenstrom's Macroglobulinemia Foundation, Inc.
Sarasota, Florida

Notes to the Consolidated Financial Statements
December 31, 2013

Note 4 – Property and Equipment

Property and equipment consists of the following as of December 31:

	<u>2013</u>
Office equipment	\$ 12,515
Website	<u>23,771</u>
Total Cost	36,286
Less: accumulated depreciation and amortization	<u>26,967</u>
Total	<u>\$ 9,319</u>

Note 5 – Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for the following purposes as of December 31:

	<u>2013</u>
Research	\$1,124,672
Programs and supporting services	183,357
Patient database	3,803
Legacy software	<u>5,500</u>
Total	<u>\$1,317,332</u>

Note 6 – Endowment Fund

Permanently Restricted net assets consist of the Dr. Robert A. Kyle and Mrs. Charlene M. Kyle Endowment Research Fund established to provide financial assistance on an annual basis for activities, strategies, people and programs associated with the Foundation as determined by the board of directors. Contributions to the endowment fund are subject to donor restrictions that stipulate the original principal of the gift to be held and invested by the Foundation indefinitely and income from the fund is to be expended on initiatives for the research fund. As of December 31, 2013, the balance in the endowment fund was \$21,944.

The Foundation has interpreted the State Prudent Management of Institutional Funds Act ("SPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (1) the original value of the gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standards of prudence prescribed by SPMIFA.

The International Waldenstrom's Macroglobulinemia Foundation, Inc.
Sarasota, Florida

Notes to the Consolidated Financial Statements
December 31, 2013

Note 6 – Endowment Fund - continued

The Foundation has adopted investment and spending policies for endowment assets that attempt to subject the fund to low investment risk. Endowment assets have been invested in a savings account with a local bank. The Foundation seeks to build endowment assets through additional contributions. The Foundation has a policy of appropriating for distribution on an annual basis the endowment funds investment income to cover initiatives of the research fund. This is consistent with the Foundations objectives to provide income for its research fund initiatives, preserve endowments assets without subjecting them to substantial risk, and provide real growth through new gifts.

The composition of endowment net assets for this fund and the changes in endowment net assets as of December 31, 2013 are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets – 1/1/13	\$ _____ -	\$ 21,294	\$ 21,294
Contributions	-	650	650
Investment income	4	-	4
Amounts appropriated for expenditure	<u>(4)</u>	<u>-</u>	<u>(4)</u>
Endowment net assets – 12/31/13	<u>\$ _____ -</u>	<u>\$ 21,944</u>	<u>\$ 21,944</u>

Note 7 – Concentrations of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk are primarily cash and cash equivalents and contributions receivable.

The Foundation's financial instruments that are exposed to concentrations of credit risk consist primarily of cash deposits. The Association places its cash and cash equivalents with local financial institutions. Although the Foundation manages its credit risk through diversification, at times, cash balances may be in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limits. The Foundation has not experienced any losses in such accounts and does not believe it is exposed to significant credit risk on cash and cash equivalents.

Note 8 – Operating Lease

The Foundation has entered into an operating lease agreement for premises. The lease term is for three (3) years commencing September 1, 2012 and ending on August 31, 2015. The lease agreement calls for monthly rental payments of \$1,025.

Future minimum payments under the lease agreement as of December 31 are as follows:

December 31,	
2014	\$12,300
2015	8,200
Thereafter	<u>-</u>
Total	<u>\$20,500</u>

The International Waldenstrom's Macroglobulinemia Foundation, Inc.
Sarasota, Florida

Notes to the Consolidated Financial Statements
December 31, 2013

Note 9 - Related Party Transaction

During 2012, the Foundation entered into a research award agreement with a clinic where a member of the board of trustees is employed. The total research grant was for \$557,596 of which \$185,906 was paid in 2013. The unpaid balance on the grant as of December 31, 2013 was \$191,521.

Note 10 – Commitments

Ed Forum Hotel

The Foundation has entered into an agreement with a hotel for the 2015 Education Forum. The Agreement includes penalties in the event the Foundation cancels its reservation. These penalties range from a loss of a \$10,000 deposit up to \$81,275 for room and food revenue depending on the date of cancellation.

Research Grants

The Foundation's Board of Directors approve multi-year agreements for research which require progress reports every six months and/or other conditions in the grant agreements. Progress reports are reviewed and approved by the Foundation's research committee and agreements may be terminated at the discretion of the Board of Directors for nonperformance. Research grants expense is recognized in the period when the conditions of the grant agreement are substantially met. If such conditions are satisfied, the amounts estimated to be paid under the agreements are as follows:

December 31,	
2014	\$745,612
2015	401,847
2016	163,100
Thereafter	<u> -</u>
Total	<u>\$1,310,559</u>

Note 11 – Evaluation of Subsequent Events

The Foundation has evaluated events and transaction for potential recognition or disclosure through July 22, 2014, the date the financial statements were available to be issued.